



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

February 1, 1999

The Honorable John D. Dingell
Ranking Democratic Member
Committee on Commerce
U.S. House of Representatives
Washington, D.C. 20515-6115


Dear ~~Congressman~~ Dingell:

Thank you for your letter of November 24, 1998. I am writing in response to your inquiries concerning insurance activities of national banks.

As you noted in your letter, national banks have been authorized to provide an increasing range of insurance products. However, national bank involvement in insurance activities is not a recent development. In fact, from at least the early 1960's, national and state banks have engaged in various forms of insurance-related activities. These activities provide banks with additional flexibility in structuring their activities to obtain new sources of business in a manner that diversifies their risk exposures and cash flows. Further, these activities benefit customers by enhancing competition, providing additional consumer convenience, and making insurance products available to customers that are under served or unserved by other distribution systems.

National banks derive their powers to engage in a range of insurance activities from several longstanding statutory sources. For example, 12 U.S.C. § 92, enacted in 1916, authorizes a national bank located and doing business in a place with a population of 5,000 or less to act as an agent for state-authorized insurance companies. By its terms, section 92 does not require a bank's insurance solicitation and sales activities to occur within the "place of 5,000." Since at least the early 1980's, the Office of the Comptroller of the Currency ("OCC") interpreted section 92 to permit a national bank located in a place of 5,000 or fewer inhabitants to sell insurance to customers outside of that place. Further, the Supreme Court in *Barnett Bank of Marion County, N.A. v. Nelson* confirmed our view that section 92 suggests "a broad, not limited permission" for a national bank to act as the agent for insurance sales.

The OCC recognizes the important role states have in overseeing national banks' insurance activities. National banks engaged in insurance activities and national bank employees acting as insurance agents are subject to state insurance laws, so long as the state law does not violate the standards established by the Supreme Court in *Barnett*.

The OCC also recognizes that the day-to-day supervision of the insurance activities of national banks and their subsidiaries rests with state insurance authorities. However, the OCC does retain an important supervisory interest in all activities of national banks that could have an impact on their safety and soundness, including insurance activities. Consequently the OCC monitors these activities as appropriate to assess the overall risks associated with the business. The assessment of this business line is factored into the aggregate risk assessment of national banks and the overall determination of capital adequacy.

In addition, because of the role of state insurance regulators in administering and overseeing compliance with state laws, the OCC is working with state authorities and the National Association of Insurance Commissioners ("NAIC") to establish arrangements for sharing consumers' insurance complaints. In early December 1998, the OCC and the Oklahoma Insurance Department entered into an agreement to share information about any consumer complaints received by either agency relating to the sale of insurance products in Oklahoma by national banks. The agreement also provides for the agencies to communicate with each other on matters of common interest, such as regulatory and policy initiatives. The OCC recognizes that open channels of communication and strong coordination with the state insurance regulators are important. The OCC is actively committed to working with the NAIC and the state insurance regulators on cooperative efforts, such as information-sharing agreements, to assure compliance with appropriate insurance sales standards and to enhance consumer protection.

Your letter inquired about the insurance activities of banks and their affiliates and subsidiaries. This response provides you with available information regarding the activities of national banks regulated by the OCC and their operating subsidiaries. As you noted in your letter, affiliates of banks also engage in a wide range of insurance activities. Insurance agency affiliates that are direct subsidiaries of the parent bank holding company are supervised by the Federal Reserve Board ("FRB"). You may want to contact the FRB for information about the insurance activities of these affiliates.

Affiliates may also include state chartered banks. These banks also may engage in a wide array of insurance activities. Many states grant broad insurance powers to state chartered financial institutions. Accordingly, state insurance regulators, among others, may be able to provide information on the insurance activities of state banks.

The best available information responsive to your specific questions concerning national banks and their operating subsidiaries is provided below. Please note that the information does not include any insurance activities that may be conducted through affiliates of the 5,156 bank

holding companies or the 6,349 state chartered banks in the United States.¹ Overall, OCC information shows that approximately 1,949 national banks or their subsidiaries are engaged in some type of insurance activities, including insurance sales, underwriting, or reinsurance activities. As reflected in the chart below, approximately 1,936 national banks or their subsidiaries are involved in sales activities of one or more products; approximately 19 national banks or their subsidiaries are involved in underwriting activities; and approximately 22 national banks or their subsidiaries are involved in reinsurance activities.

Number of National Banks/Subsidiaries Engaged in Insurance Activities			
Types of Products	Sales	Underwriting	Reinsurance
Life insurance	257	1 ²	0
Accident and health insurance	789	0	0
Property and liability insurance	145	0	0
Mortgage insurance (private mortgage insurance)	233	0	11
Credit life and other credit-related insurance	1,925	19	11
Other insurance	104	0	0

The OCC also has information that certain national banks or their subsidiaries contract with independent agents or managing general agents. Based upon this information, we believe the insurance sales activities of approximately 154 national banks or their subsidiaries are being run in whole or in part by independent contractors or managing general agents; the insurance underwriting activities of approximately 4 national banks or their subsidiaries are being run in whole or in part by independent contractors or managing general agents; and the reinsurance activities of approximately 12 national banks or their subsidiaries are being run in whole or in part by independent contractors or managing general agents. The numbers presented in the chart include these numbers.

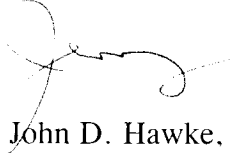
¹ Information as reported in the *Thomson/Polk Bank Directory* (Dec.1998 - May 1999 ed.).

² OCC information shows that one national bank or its subsidiary conducts insurance underwriting activities under the authority of a foreign insurance regulator pursuant to the FRB's approval under Regulation K. The foreign jurisdiction is Australia.

We are continuing to analyze data on the volume of certain aspects of national banks' insurance activities. We will provide this additional information to you in a supplemental letter as soon as we have completed this analysis.

I hope this information is useful to you as you consider these matters. Please let me know if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Hawke, Jr.", with a stylized flourish at the end.

John D. Hawke, Jr.
Comptroller of the Currency

cc: The Honorable Tom Bliley